

House Study Bill 194 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VANDER LINDEN)

A BILL FOR

1 An Act relating to county funding of mental health and
2 disability services by modifying the mental health and
3 disability services property tax levy and certain county
4 hospital property tax levies, requiring the use of
5 specified reserve funds, and including effective date and
6 applicability provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 222.73, subsection 2, paragraph b, Code
2 2017, is amended to read as follows:

3 b. The per diem costs billed to each mental health and
4 disability services region shall not exceed the per diem costs
5 billed to the county region in the fiscal year beginning July
6 1, ~~1996~~ 2016. ~~However, the per diem costs billed to a county~~
7 ~~may be adjusted for a fiscal year to reflect increased costs~~
8 ~~to the extent of the percentage increase in the statewide per~~
9 ~~capita expenditure target amount, if any per capita growth~~
10 ~~amount is authorized by the general assembly for that fiscal~~
11 ~~year in accordance with section 331.424A.~~

12 Sec. 2. Section 230.20, subsection 2, paragraph b, Code
13 2017, is amended to read as follows:

14 b. The per diem costs billed to each mental health and
15 disability services region shall not exceed the per diem costs
16 billed to the county region in the fiscal year beginning July
17 1, ~~1996~~ 2016. ~~However, the per diem costs billed to a mental~~
18 ~~health and disability services region may be adjusted annually~~
19 ~~to reflect increased costs, to the extent of the percentage~~
20 ~~increase in the statewide per capita expenditure target amount,~~
21 ~~if any per capita growth amount is authorized by the general~~
22 ~~assembly for the fiscal year in accordance with section 426B.3.~~

23 Sec. 3. Section 331.424A, subsection 1, Code 2017, is
24 amended by striking the subsection and inserting in lieu
25 thereof the following:

26 1. For the purposes of part 6 of division III of this
27 chapter, this section, and chapter 426B, unless the context
28 otherwise requires:

29 a. "*Annual inflation factor*" means the percentage
30 established as follows and used to adjust the regional per
31 capita expenditure target amount for each region:

32 (1) For the fiscal year beginning July 1, 2018, one hundred
33 one percent.

34 (2) For the fiscal year beginning July 1, 2019, one hundred
35 one percent.

1 (3) For the fiscal year beginning July 1, 2020, one hundred
2 two percent.

3 (4) For the fiscal year beginning July 1, 2021, one hundred
4 two percent.

5 (5) For the fiscal year beginning July 1, 2022, and each
6 succeeding fiscal year, one hundred percent.

7 *b. "Base expenditure amount"* is an amount determined for
8 each county that is the lesser of the following amounts:

9 (1) The county's base year expenditures for mental health
10 and disabilities services, as defined in section 331.424A,
11 subsection 1, paragraph "a", Code 2017.

12 (2) The product of the statewide per capita expenditure
13 target amount multiplied by the county's population for the
14 fiscal year beginning July 1, 2017.

15 *c. "Cash flow reduction amount"* means the amount calculated
16 under subsection 4 and used to reduce a county budgeted amount
17 under subsection 9.

18 *d. "County budgeted amount"* means the amount calculated
19 under subsection 9 and certified for levy under subsection 6.

20 *e. "County services fund"* means a county mental health and
21 disabilities services fund created pursuant to this section.

22 *f. "Population"* means the population shown by the latest
23 preceding certified federal census or the latest applicable
24 population estimate issued by the federal government, whichever
25 is most recent and available as of July 1 of the fiscal year
26 preceding the fiscal year to which the funding calculations
27 apply.

28 *g. "Region"* means a mental health and disability services
29 region formed in accordance with section 331.389.

30 *h. "Regional per capita expenditure target amount"* means the
31 amount determined in subsection 8 for each region.

32 *i. "Statewide per capita expenditure target amount"* means
33 forty-seven dollars and twenty-eight cents.

34 Sec. 4. Section 331.424A, subsection 4, Code 2017, is
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 4. *a.* An amount shall be reserved in the county services
3 fund to address cash flow obligations in the next fiscal year,
4 subject to the limitations of this subsection. The cash flow
5 amount for a county's services fund shall be specified in the
6 regional governance agreement entered into by the county under
7 section 331.392.

8 *b.* For each fiscal year beginning on or after July 1,
9 2017, of a county's cash flow amount maintained in the county
10 services fund, an amount equal to the county's cash flow
11 reduction amount shall be used for the payment of services
12 provided under the regional service system management plan
13 under section 331.393.

14 *c.* For each fiscal year beginning on or after July 1, 2017,
15 each county's cash flow reduction amount shall be determined as
16 follows and shall result in a reduction of the county budgeted
17 amount determined pursuant to subsection 9:

18 (1) For each county located in a region having a population
19 of one hundred thousand or over, the county's cash flow
20 reduction amount equals the county's cash flow amount minus
21 twenty percent of the gross expenditures budgeted from the
22 county services fund for the fiscal year in progress. However,
23 the cash flow reduction amount shall not be less than zero and
24 shall not exceed fifty percent of the county budgeted amount
25 determined under subsection 9 prior to any reduction resulting
26 from the cash flow reduction amount.

27 (2) For each county located in a region having a population
28 of one hundred thousand or less, the county's cash flow
29 reduction amount equals the county's cash flow amount minus
30 twenty-five percent of the gross expenditures budgeted from the
31 county services fund for the fiscal year in progress. However,
32 the cash flow reduction amount shall not be less than zero and
33 shall not exceed fifty percent of the county budgeted amount
34 determined under subsection 9 prior to any reduction resulting
35 from the cash flow reduction amount.

1 Sec. 5. Section 331.424A, subsections 6 and 7, Code 2017,
2 are amended to read as follows:

3 6. For each fiscal year, the county shall certify a levy
4 for payment of services. For each fiscal year, county revenues
5 from taxes imposed by the county credited to the county
6 services fund shall not exceed an amount equal to the county
7 budgeted amount of base year expenditures for mental health
8 and disability services for the fiscal year. A levy certified
9 under this section is not subject to the appeal provisions of
10 section 331.426 or to any other provision in law authorizing
11 a county to exceed, increase, or appeal a property tax levy
12 limit.

13 7. Appropriations specifically authorized to be made from
14 the ~~mental health and disabilities~~ county services fund shall
15 not be made from any other fund of the county.

16 Sec. 6. Section 331.424A, subsection 8, Code 2017, is
17 amended by striking the subsection and inserting in lieu
18 thereof the following:

19 8. *a.* (1) Except as provided in subparagraph (2), for the
20 fiscal year beginning July 1, 2017, the regional per capita
21 expenditure target amount is the sum of the base expenditure
22 amount for all counties in the region divided by the population
23 of the region.

24 (2) For a region comprised of one county having a population
25 of four hundred thousand or over, for the fiscal year beginning
26 July 1, 2017, the regional per capita expenditure target amount
27 means forty-five dollars.

28 *b.* For the fiscal year beginning July 1, 2018, and each
29 subsequent fiscal year, the regional per capita expenditure
30 target amount shall be an amount equal to the regional
31 per capita expenditure target amount for the immediately
32 preceding fiscal year multiplied by the annual inflation factor
33 established in subsection 1 for the fiscal year. However,
34 application of the annual inflation factor in any fiscal year
35 shall not result in a regional per capita expenditure target

1 amount that exceeds the statewide per capita expenditure target
2 amount.

3 Sec. 7. Section 331.424A, Code 2017, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 9. For the fiscal year beginning July 1,
6 2017, and each subsequent fiscal year, the county budgeted
7 amount determined for each county shall be the amount necessary
8 to meet the county's financial obligations for the payment
9 of services provided under the regional service system
10 management plan approved pursuant to section 331.393, not to
11 exceed an amount equal to the product of the regional per
12 capita expenditure target amount multiplied by the county's
13 population, and reduced by the amount of the county's cash flow
14 reduction amount for the fiscal year, if applicable.

15 Sec. 8. Section 331.432, subsection 3, Code 2017, is amended
16 to read as follows:

17 3. Except as authorized in [section 331.477](#), transfers
18 of moneys between the county ~~mental health and disabilities~~
19 services fund created pursuant to [section 331.424A](#) and any
20 other fund are prohibited.

21 Sec. 9. Section 347.7, subsection 1, paragraph a, Code 2017,
22 is amended to read as follows:

23 a. (1) If a county hospital is established, the board
24 of supervisors, at the time of levying ordinary taxes, shall
25 levy a tax at the rate voted not to exceed fifty-four cents
26 per thousand dollars of assessed value in any one year for the
27 erection and equipment of the hospital, and except as provided
28 in subparagraph (2), also a tax not to exceed twenty-seven
29 cents per thousand dollars of value for the improvement,
30 maintenance, and replacements of the hospital, as certified by
31 the board of hospital trustees.

32 (2) (a) ~~However, in~~ In counties having a population of
33 two hundred twenty-five thousand or over, the levy for taxes
34 payable in the fiscal year beginning July 1, 2001, and for
35 subsequent fiscal years beginning before July 1, 2017, for

1 improvements and maintenance of the hospital shall not exceed
2 two dollars and five cents per thousand dollars of assessed
3 value in any one year.

4 **(b) In counties having a population of two hundred**
5 **twenty-five thousand or over, the levy for taxes payable in**
6 **the fiscal year beginning July 1, 2017, and for subsequent**
7 **fiscal years beginning before July 1, 2022, for improvements**
8 **and maintenance of the hospital shall not exceed one dollar and**
9 **seventy-three cents per thousand dollars of assessed value in**
10 **any one year.**

11 **(c) In counties having a population of two hundred**
12 **twenty-five thousand or over, the levy for taxes payable in the**
13 **fiscal year beginning July 1, 2022, and for subsequent fiscal**
14 **years, for improvements and maintenance of the hospital shall**
15 **not exceed two dollars and five cents per thousand dollars of**
16 **assessed value in any one year.**

17 Sec. 10. Section 426B.1, subsection 2, Code 2017, is amended
18 to read as follows:

19 2. Moneys shall be distributed from the property tax
20 relief fund to counties for the mental health and disability
21 regional service system for ~~providing county base property tax~~
22 ~~equivalent equalization payments and the per capita growth~~
23 ~~amount established pursuant to [section 426B.3](#)~~ mental health and
24 disabilities services, in accordance with the appropriations
25 made to the fund and other statutory requirements.

26 Sec. 11. Section 426B.2, Code 2017, is amended to read as
27 follows:

28 **426B.2 Property tax relief fund payments.**

29 ~~1-~~ The director of human services shall draw warrants on the
30 property tax relief fund, payable to the county treasurer in
31 the amount due to a county in accordance with ~~section 426B.3~~
32 statutory requirements, and mail the warrants to the county
33 auditors in July and January of each year.

34 ~~2. As used in [this chapter](#) and in [section 331.424A](#), for~~
35 ~~purposes of population-based funding calculations, "population"~~

~~1 means the population shown by the latest preceding certified
2 federal census or the latest applicable population estimate
3 issued by the federal government, whichever is most recent and
4 available as of July 1 of the fiscal year preceding the fiscal
5 year to which the funding calculations apply.~~

6 Sec. 12. REPEAL. Section 426B.3, Code 2017, is repealed.

7 Sec. 13. COUNTY BUDGET RECERTIFICATION. If this Act takes
8 effect on or after March 15, 2017, notwithstanding section
9 24.17, for the fiscal year beginning July 1, 2017, a county may
10 recertify the county's budget as necessary to implement the
11 provisions of this Act. A budget recertified pursuant to this
12 section must be recertified in duplicate to the county auditor
13 not later than thirty days after the effective date of this
14 Act, and protests to the budget shall be filed not later than
15 ten days after the county's budget is recertified.

16 Sec. 14. MENTAL HEALTH AND DISABILITY SERVICES FUNDING —
17 FISCAL VIABILITY REVIEW DURING 2020 LEGISLATIVE INTERIM. The
18 legislative council is requested to authorize a study
19 committee to analyze the viability of the mental health and
20 disability services funding provisions in this Act, including
21 the methodology used to calculate and determine the base
22 expenditure amount, the county budgeted amount, the regional
23 per capita expenditure target amount, the statewide per capita
24 expenditure target amount, the cash flow reduction amount, and
25 the annual inflation factor. The study committee shall consist
26 of five members of the senate, three of whom shall be appointed
27 by the majority leader of the senate and two of whom shall
28 be appointed by the minority leader of the senate, and five
29 members of the house of representatives, three of whom shall
30 be appointed by the speaker of the house of representatives
31 and two of whom shall be appointed by the minority leader
32 of the house of representatives. The study committee shall
33 meet during the 2020 legislative interim to make appropriate
34 recommendations for consideration during the 2021 legislative
35 session in a report submitted to the general assembly by

1 January 15, 2021.

2 Sec. 15. SAVINGS PROVISION. This Act, pursuant to section
3 4.13, does not affect the operation of, or prohibit the
4 application of, prior provisions of law amended or repealed
5 by this Act, or rules adopted under chapter 17A to administer
6 prior provisions of law amended or repealed by this Act, for
7 fiscal years beginning before July 1, 2017.

8 Sec. 16. EFFECTIVE UPON ENACTMENT. This Act, being deemed
9 of immediate importance, takes effect upon enactment.

10 Sec. 17. APPLICABILITY. This Act applies to fiscal years
11 beginning on or after July 1, 2017.

12 EXPLANATION

13 The inclusion of this explanation does not constitute agreement with
14 the explanation's substance by the members of the general assembly.

15 This bill relates to county funding of mental health
16 and disability services by modifying the mental health and
17 disability services property tax levy and certain county
18 hospital property tax levies, requiring the use of specified
19 reserve funds, and includes effective date and applicability
20 provisions.

21 Under current law, for the fiscal period beginning July 1,
22 2013, and ending June 30, 2018, county revenues from property
23 taxes levied by the county and credited to a county mental
24 health and disabilities services fund created pursuant to Code
25 section 331.424A (county services fund) shall not exceed the
26 lower of the amount of the county's base year expenditures for
27 mental health and disability services or the amount equal to
28 the product of the statewide per capita expenditure target
29 for the fiscal year beginning July 1, 2013, multiplied by the
30 county's general population for the applicable fiscal year.
31 After June 30, 2017, current law provides that county revenues
32 from property taxes levied and credited to the county services
33 fund shall not exceed an amount equal to the county's base year
34 expenditures for these services.

35 The bill amends Code section 331.424A relating to the amount

1 of county funding for mental health and disability services
2 and the amount of property taxes levied for payment of such
3 services.

4 The bill establishes a methodology for establishing a
5 regional per capita expenditure target amount. For a region
6 comprised of one county with a population of 400,000 or over,
7 for the fiscal year beginning July 1, 2017, the regional per
8 capita expenditure target amount is \$45. For the fiscal year
9 beginning July 1, 2017, for all other regions the regional
10 per capita expenditure target amount is the sum of the base
11 expenditure amount for all counties in the region, divided
12 by the population of the region. The bill defines "base
13 expenditure amount" as the lesser of either the county's
14 base year expenditures for mental health and disabilities
15 services, as defined in section 331.424A, Code 2017, or the
16 product of \$47.28 multiplied by the county's population for
17 the fiscal year beginning July 1, 2017. For the fiscal year
18 beginning July 1, 2018, and each subsequent fiscal year, the
19 regional per capita expenditure target amount is an amount
20 equal to the regional per capita expenditure target amount
21 for the immediately preceding fiscal year multiplied by the
22 annual inflation factor for the fiscal year, as specified in
23 the bill. However, the bill prohibits the application of the
24 annual inflation factor from resulting in a regional per capita
25 expenditure target amount that exceeds the statewide per capita
26 expenditure target amount.

27 Under the bill, a county is required to certify a property
28 tax levy for payment of services in an amount not to exceed the
29 county budgeted amount for the fiscal year. For the fiscal
30 year beginning July 1, 2017, and subsequent fiscal years,
31 each county's budgeted amount shall be the amount necessary
32 to meet the county's financial obligations for the payment of
33 services under the regional service system management plan, not
34 to exceed an amount equal to the product of the regional per
35 capita expenditure target amount multiplied by the county's

1 population, and reduced by the county's cash flow reduction
2 amount funds, if applicable.

3 Under current law, counties are required to reserve an
4 amount to address cash flow obligations in the next fiscal
5 year that does not exceed 25 percent of the gross expenditures
6 budgeted from the county services fund for the fiscal year in
7 progress. Under the bill, for each fiscal year beginning on or
8 after July 1, 2017, of the county's cash flow amount maintained
9 in the county services fund, an amount equal to the county's
10 cash flow reduction amount shall be used for the payment of
11 services provided under the regional service system management
12 plan. Each county's cash flow reduction amount is also used to
13 reduce the amount of the county budgeted amount for the fiscal
14 year. For each county located in a region with a population
15 of 100,000 or over, the county's cash flow reduction amount
16 equals the county's cash flow amount minus 20 percent of the
17 gross expenditures budgeted from the county services fund for
18 the fiscal year in progress. For each county located in a
19 region with a population of 100,000 or less, the county's cash
20 flow reduction amount equals the county's cash flow amount
21 minus 25 percent of the gross expenditures budgeted from the
22 county services fund for the fiscal year in progress. However,
23 the cash flow reduction amount for any county may not be less
24 than zero and may not exceed 50 percent of the county budgeted
25 amount prior to any reduction resulting from the cash flow
26 reduction amount.

27 The bill amends Code section 347.7, relating to county
28 hospital tax levies. Under current law, in counties with a
29 population of 225,000 or more, the county hospital levy for
30 improvements and maintenance of the hospital is capped at \$2.05
31 per thousand dollars of assessed value. Under the bill, for
32 fiscal years beginning on or after July 1, 2017, but before
33 July 1, 2022, the levy for improvements and maintenance of the
34 hospital in counties with a population of 225,000 or more is
35 capped at \$1.73 per thousand dollars of assessed value. For

1 fiscal years beginning on or after July 1, 2022, the levy for
2 improvements and maintenance of the hospital in counties with
3 a population of 225,000 or more is again capped at \$2.05 per
4 thousand dollars of assessed value.

5 The bill repeals Code section 426B.3 relating to per capita
6 funding and repayments of Medicaid offset amounts and makes
7 conforming Code changes to other provisions of law.

8 The bill provides that, notwithstanding the deadline for
9 certifying a county budget, for the fiscal year beginning
10 July 1, 2017, a county may recertify the county's budget as
11 necessary to implement the bill if the bill takes effect after
12 the budget certification deadline. A budget recertified
13 pursuant to the bill must be recertified to the county auditor
14 no later than 30 days after the effective date of the bill,
15 and protests to the budget must be filed no later than 10 days
16 after the county's budget is recertified.

17 The bill requests the legislative council to authorize
18 a study committee to analyze the viability of the mental
19 health and disability services funding provisions in the bill,
20 including the methodology used to calculate and determine
21 the base expenditure amount, the county budgeted amount, the
22 regional per capita expenditure target amount, the statewide
23 per capita expenditure target amount, the cash flow reduction
24 amount, and the annual inflation factor. The study committee
25 shall consist of 10 legislative members appointed as specified
26 in the bill. The study committee shall meet during the 2020
27 legislative interim to make appropriate recommendations for
28 consideration during the 2021 legislative session in a report
29 submitted to the general assembly by January 15, 2021.

30 The bill takes effect upon enactment and applies to fiscal
31 years beginning on or after July 1, 2017.

32 The bill does not affect the operation of, or prohibit the
33 application of, prior provisions of law amended or repealed by
34 the bill, or rules adopted to administer prior provisions of
35 law amended or repealed by the bill, for fiscal years beginning

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1 before July 1, 2017.